

Canadian Pacific announces industry-leading biodiesel testing underway

November 27, 2009
Calgary, Alberta

Canadian Pacific (TSX/NYSE: CP) and Natural Resources Canada have partnered on an industry-leading biodiesel fuel pilot project under the National Renewable Diesel Demonstration Initiative, announced Lee Richardson, Member of Parliament for Calgary Centre on behalf of the Honourable Lisa Raitt, Minister of Natural Resources, and Fred Green, Canadian Pacific President and CEO, today. It is the first time biodiesel will be used in Canadian cold-weather rail service.

"The Government of Canada is working closely with industry partners like Canadian Pacific to support the use of renewable diesel in the Canadian fuel market," said Mr. Richardson. "Our Government is investing over \$800,000 in this important step forward to help reduce Canada's total greenhouse gas emissions."

The Government of Canada has announced its intent to regulate an average five percent renewable fuel content based on the national gasoline pool by 2010 as well as a requirement for an average two percent renewable content in diesel fuel and heating oil by 2011 or earlier, subject to technical feasibility. The National Renewable Diesel Demonstration Initiative provides an opportunity for real-world testing and performance evaluation in advance of regulatory action.

"Rail is already the most efficient means to move goods long-haul," said Green. "This initiative positions CP to make a lasting impact by further reducing our network's environmental footprint. This partnership with the Government of Canada is an opportunity to test the reliability of biodiesel in cold weather, ensuring we continue to provide safe and efficient operations for customers across North America."

Biodiesel is a cleaner renewable alternative to traditional fuels, made from either vegetable oil or animal fats. Biodiesel reduces emissions of carbon monoxide, carbon dioxide, sulfur dioxide and particulate matter and also acts as a natural lubricant.

As part of the five-month test cycle, CP will operate four GE AC4400 Diesel Locomotives with FDL-16 engines in captive service between Calgary and Edmonton. General Electric and Calgary-based fuel supplier 4Refuels are cooperating with CP during this testing phase, which began in early November and will run through the end of March.

Canadian Pacific will undertake routine detailed mechanical examinations of the locomotives in the pilot project. The information gathered will be used to determine if a biodiesel mixture of five percent (B5) has any significant adverse effects on a locomotive or its associated systems in cold-climate operation. Impact to reliability, potential changes to the overhaul or maintenance work scope and reviews of specific components on the locomotives will also be monitored.

About the National Renewable Diesel Demonstration Initiative

The National Renewable Diesel Demonstration Initiative (NRDDI) supports projects that demonstrate how renewable diesel fuel will perform under Canadian conditions. This research is in support of the Government's intention to regulate renewable fuel content, specifically the proposed requirement for an average of two percent renewable fuel content in diesel fuel and heating oil by 2011 or earlier. This requirement is however conditional upon the technical feasibility of biodiesel use being demonstrated under a range of Canadian conditions. This is a part of the Government of Canada's Renewable Fuels Strategy.

About Canadian Pacific

Canadian Pacific, through the ingenuity of its employees located across Canada and in the United States, remains committed to being the safest, most fluid railway in North America. Our people are the key to delivering innovative transportation solutions to our customers and to ensuring the safe operation of our trains through the more than 1,100 communities where we operate. Come and visit us at www.cpr.ca to see how we can put our ingenuity to work for you. Canadian Pacific is proud to be the official rail freight services provider for the Vancouver 2010 Olympic and Paralympic Winter Games.

ATTENTION ASSIGNMENT EDITORS:

B-roll footage and still shots of the biodiesel locomotives are available from CNW Broadcast Services.

<http://cnw.pathfireondemand.com/viewpackage.action?packageid=269>

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All video can be viewed by clicking on the link. Broadcast quality video is available for download by accredited journalists. Please contact broadcast@newswire.ca for access.

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Backgrounder

Biofuels/Biodiesel

Increasing the use of cleaner, renewable energy is an important part of the Government of Canada's comprehensive strategy to reduce emissions of air pollutants and greenhouse gases, helping to protect the health of Canadians and our environment.

The Government of Canada has committed up to \$2.2 billion to support an integrated Renewable Fuels Strategy. The ecoENERGY for Biofuels program is a key component of this strategy and will invest up to \$1.5 billion to increase the supply and availability of cleaner, renewable fuels such as ethanol and biodiesel. In fact, proposed regulations will require a five percent renewable fuel content based on the national gasoline pool by 2010. The next phase for these proposed regulations will be a requirement for an average two percent renewable content in diesel and heating oil by 2011 or earlier. This requirement is however conditional upon the technical feasibility of biodiesel use being demonstrated under the range of Canadian conditions.

When the two percent mandate is implemented, it is expected that Canada will need close to three billion litres of renewable fuels.

Compared to gasoline, grain-based ethanol can reduce greenhouse gas (GHG) emissions by up to 40 percent on a life-cycle basis. The GHG reduction for biodiesel can be at least 60 percent compared to diesel. Once the five percent and two percent mandates are in place, it is estimated that these regulations, in conjunction with existing provincial regulations, could reduce Canada's annual GHG emissions by four million tonnes.

National Renewable Diesel Demonstration Initiative

The objective of the National Renewable Diesel Demonstration Initiative (NRDDI) is to address industry and end-user questions about renewable diesel use by demonstrating how it will perform under Canadian conditions.

Among the questions that have been raised are:

- impacts of cold weather;
- impacts of long-term storage (with or without temperature fluctuation);
- interaction of renewable diesel from various feedstocks with seasonal variations of ultra-low sulphur diesel (ULSD);
- impacts on emerging heavy truck engine technology (in particular 2007 and 2010 emission controls);
- impacts on engine and heating systems components; and
- distribution infrastructure.

These questions will be addressed by providing non-repayable contributions to approved projects that demonstrate aspects of renewable diesel use and/or distribution in Canada. Funded projects may demonstrate one or more of the following:

- the use of various blend levels;
- the use of fuels produced from various feedstocks;
- the use of renewable diesel in various applications that diesel fuel is likely to encounter in Canada; and
- the infrastructure for renewable diesel storage and distribution.

Funding has been made available to facilitate demonstration projects of different scales in both the on-road transportation and off-road sectors.

The NRDDI is administered by [Natural Resources Canada](#).